

BUILDING COMMISSION

Budget Summary							
Fund	2014-15 Base Year Doubled	2015-17 Governor	2015-17 Jt. Finance	2015-17 Legislature	2015-17 Act 55	Act 55 Change Over <u>Base Year Doubled</u>	
						Amount	Percent
GPR	\$88,886,400	\$110,625,300	\$111,701,000	\$111,701,000	\$111,701,000	\$22,814,600	25.7%
PR	9,598,600	1,912,900	1,912,900	1,912,900	1,912,900	- 7,685,700	- 80.1
SEG	<u>2,048,400</u>	<u>2,048,400</u>	<u>2,048,400</u>	<u>2,048,400</u>	<u>2,048,400</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$100,533,400	\$114,586,600	\$115,662,300	\$115,662,300	\$115,662,300	\$15,128,900	15.0%

FTE Position Summary
There are no full time positions authorized for the Building Commission.

Budget Change Items

1. DEBT SERVICE REESTIMATE [LFB Paper 175]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$2,447,100	\$1,075,700	\$3,522,800
PR	<u>- 7,685,700</u>	<u>0</u>	<u>- 7,685,700</u>
Total	- \$5,238,600	\$1,075,700	- \$4,162,900

Governor: Decrease funding by \$2,089,400 GPR in 2015-16 and increase funding by \$4,536,500 GPR in 2016-17 to reflect the reestimate of GPR debt service costs on state general obligation bonds and commercial paper debt issued for the following purposes. Decrease funding by \$4,348,500 PR in 2015-16 and \$3,337,200 2016-17 for debt service on PR-supported bonds.

	2014-15 Base Level Funding	Current Law Debt Service Changes	
		2015-16	2016-17
GPR Debt Service Appropriation			
Capitol and Executive Residence	\$14,771,500	-\$926,500	-\$4,781,400
Amounts Not Initially Allocated to Agencies	25,779,400	-2,141,400	7,766,800
Other Public Purposes	1,833,100	-73,500	-272,900
Grand Opera House in Oshkosh	32,200	-100	3,300
Aldo Leopold Climate Change Classroom and Interactive Laboratory	38,400	-100	-100
Bradley Center Sports and Entertainment Corp.	424,800	414,500	479,900
Lac du Flambeau Indian Tribal Center	0	20,100	20,100
HR Academy Youth Center	138,700	-4,800	-25,400
Hmong Cultural Centers	22,200	-100	-100
Swiss Cultural Center	56,500	0	5,400
Children's Research Institute	1,047,800	-119,300	-25,400
Milwaukee Police Athletic League Youth Activity Ctr.	102,600	-5,800	-6,500
Civil War Exhibit at Kenosha Museum	44,300	-1,500	-1,500
Family Justice Center	0	0	284,200
Domestic Abuse Intervention Facilities	0	26,900	44,900
K I Convention Center	0	0	105,200
Dane County Livestock Facilities	0	722,200	722,200
Wisconsin Maritime Center for Excellence	0	0	133,700
Norskedalen Nature and Heritage Center	0	0	84,100
Total GPR	\$44,291,500	-\$2,089,400	\$4,536,500
PR Debt Service Appropriation			
Energy Conservation Projects	\$4,536,200	-\$4,342,100	-\$3,274,300
Aquaculture Demonstration Facility	263,100	-6,400	-62,900
Total PR	\$4,799,300	-\$4,348,500	-\$3,337,200

Joint Finance/Legislature: Increase debt service by \$1,075,700 GPR in 2016-17 to reflect the debt service on bonds issued for the Eau Claire Confluence Arts Center in Eau Claire authorized under the 2015-17 state building program.

2. GPR DEBT SERVICE REESTIMATE [LFB Paper 175]

GPR-Lapse \$22,684,100

Joint Finance/Legislature: Decrease the net amount of GPR debt service required in the 2015-17 biennium by \$12,165,000 in 2015-16 and \$10,519,100 in 2016-17 for all agencies to reflect the projected lapses from GPR debt service appropriations in the biennium. Net GPR debt service, after these GPR-Lapse amounts, would total \$619,846,100 in 2015-16 and \$592,456,200 in 2016-17.

These reestimated lapse amounts are associated with: (a) \$10,729,500 in 2015-16 and \$3,994,000 in 2016-17 to reflect the updated estimates of GPR-supported bonds issuance affecting the 2015-17 biennium, as well as the 2015 Series A general obligation bond issue and the 2015 Series A general obligation bond refunding bonds issues carried out since the budget was introduced; and (b) \$1,435,500 in 2015-16 and \$6,525,100 in 2016-17 to reflect lower interest costs than those included in earlier estimates.

3. 2014-15 SHORT-TERM DEBT RESTRUCTURING -- DEBT SERVICE INCREASE

GPR	\$19,291,800
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Governor/Legislature: Increase estimated GPR debt service by \$544,900 in 2015-16 and \$18,746,900 in 2016-17 associated with the administration's proposed restructuring of \$108,000,000 in outstanding state commercial paper principal that would otherwise be paid in May, 2015. The increased debt service cost would be spread over all GPR bonding purposes and corresponding debt service appropriations on which the commercial paper is due. The debt service costs in 2015-16 are associated with interest on the \$108,000,000 in deferred principal. The debt service costs in 2016-17 also reflect interest due on the deferred principal as well as the repayment of a portion of the deferred principal. These amounts were shown in the administration's general fund condition statement to the bill as an offset to GPR-Lapse amounts (negative savings), but are shown here as an increase to 2015-17 GPR debt service costs (increased expenditures).

4. MODIFICATIONS TO BUILDING COMMISSION'S AUTHORITY

Governor: Make the following modifications to the Building Commission's authority to oversee and execute the biennial state building program and the management of state construction projects, facilities, and properties.

14-Day Passive Approval: Create a 14-day passive review process for Building Commission approvals relative to the state building program and the housing of state agencies. Require that requests for approval from the Building Commission would have to be submitted in writing to the Commission. Specify that if, within 14 working days after the date of that written request, a majority of the members of the Commission do not request that the Commission schedule a meeting to review the request, the request would be approved. Specify that this passive review approval process would specifically apply to the Building Commission's current law authority to do the following:

- a. after enactment of the biennial budget act, in any biennium, approve any request for project budget increase or any substantial change in an enumerated project.
- b. approve the acceptance of any gift, grant, or bequest of real property by UW System with a value in excess of \$150,000 or any gift, grant, or the bequest of a building or structure that is constructed for the benefit of the System or any institution therein.
- c. fix rent for all space in buildings constructed for housing state offices or for general state purposes.
- d. review special assessments on state property by municipalities.
- e. approve a state board, agency, officer, department, commission or body corporate request to permit a privately-owned or -operated facility to be constructed on state-owned land.
- f. waive state contracting law requirements if the Commission determines that the use of innovative design and construction processes would make better uses of resources and

technology available in the building industry if such an action is in the best interest of the state (statutory references to this waiver authority would also be modified).

g. approve the lease, lease purchase, or acquisition of facilities in lieu of state construction of any project enumerated in the authorized state building program.

h. lease or resell lands acquired in the capitol planning area for public or private redevelopment and to set the conditions of sale or lease as deemed necessary to ensure development is compatible with the needs of the community and the state.

i. lease space in state office building for commercial use, including without limitation because of enumeration, retail, service and office uses.

j. approve the environmental improvement fund's biennial finance plan updated to reflect the adopted biennial budget act.

k. lease, with an option to purchase, any facility for the use of the Department of Corrections as a part of the authorized state building program.

l. authorize limited changes in the project program, and in a project budget, in the implementation of the state building program, if the Commission determines that unanticipated program conditions or bidding conditions require the change to effectively and economically construct the project.

m. apply federal grants and private gift funds or other moneys, in addition to, or in lieu of, project funding enumerated in the state authorized building program.

n. substitute any available source of funding, in whole or in part, for state agency borrowing authority purposes to any project enumerated as part of the state building program.

The Building Commission is an eight-member body consisting of the Governor, who serves as chair, two members of the majority party and one member of the minority party of each house of the Legislature, and one citizen member appointed by the Governor.

In general, the State Building Commission has historically met on a monthly basis to execute any approvals related to its authority. Approvals require a majority vote of the Commission members present at the meeting. The Commission's current policy and procedures manual indicates that it is to hold regular meetings each month at the call of the Chair, unless the Chair determines that the meeting should be canceled, combined with another meeting, or rescheduled due to insufficient business or other extenuating circumstances. In addition, special meetings may be called by the Chair.

Under the bill, requests for any of the items listed above would be approved unless five of the eight members of the Commission request that the Commission schedule a meeting to review the requests.

Project Status Report to Commission. After the first meeting of the Building Commission following enactment of the biennial budget act, the Department of Administration (DOA) would

be required to report quarterly to the Commission regarding the status of projects under the state building program.

Commission's Report to Legislature on Previously Authorized Projects. Delete the requirement that the Building Commission submit a report to the Legislature on the progress of projects authorized in the two preceding and current biennia including the total project budget, the encumbrance and expenditure to date, and the unencumbered balance remaining for each project. In addition, delete a statement of legislative intent that the Legislature be given a complete picture of the results of its past decisions regarding the state's building program, which will serve as background for making further decisions.

Agency Building Program Project Reports to the Commission. Delete the requirement that whenever any state agency contemplates a project under the state building program the agency must report the project to the Building Commission on such date and in such manner as Commission prescribes. In addition, delete the requirement that such reports be reviewed by the Commission, and the Commission make its report on the project reported by agencies as soon after November 20 as is possible. Under current law, these reports are required to include: (a) recommendations and establish priorities for the next three biennia from among all projects submitted, which the Commission deems essential; (b) recommendations for additional appropriations if necessary; and (c) an appraisal and recommendation of available and alternative methods of financing buildings for the use of state agencies.

Authority to Fund UW System Campus Facilities. Delete the Commission's authority to allocate state building trust fund moneys, or funds from other sources available to the Commission, to equip any University of Wisconsin System college campuses if the facilities have been provided by the counties or other units of local government and the operation of the college campus has been approved by the Board of Regents of the University of Wisconsin System.

Joint Finance/Legislature: Delete provision as a non-fiscal policy item.

5. BUILDING PROGRAM PROJECT THRESHOLDS

Governor: Make the following modifications to the statutes governing the execution of the state building program:

Enumeration Requirement. Increase from \$760,000 to \$3,000,000 the project cost threshold at which projects involving the design and construction of a state facility, building or structure, the repair, remodeling, or improvement of an existing facility, or the acquisition of land are required to be enumerated in the biennial state building program. Specify a corresponding increase from \$760,000 to \$3,000,000 to the cost of a project that the Building Commission may authorize for construction in accordance with priorities established by the Commission and to the cost of project for which the Commission may adjust those priorities by deleting, substituting, adding new projects as needed to reflect unforeseen circumstances.

Projects Requiring Building Commission Approval. Increase from \$185,000 to \$760,000

the size of a contract that a state board, agency, officer, department, commission, or body corporate may enter into without completion of final plans, arrangement for supervision of construction, and prior approval of the Commission. Make corresponding modifications to the statutory reference to an agency's authority to use simplified procedures in bidding and other construction contract requirements to refer instead to a project with a cost of less than \$185,000 (maintains the current law amount) rather than a project not requiring Commission approval (modified to \$760,000 under bill).

UW System Gift and Grant Funded Projects. Increase from \$500,000 to \$760,000 the size of contract that the UW System could enter into without completion of final plans, arrangement for supervision of construction, and prior approval of the Commission if the project is funded entirely with gift and grant proceeds. Make a corresponding modification to the reference for the size of project (from \$500,000 to \$760,000) on which the UW System would not be required to meet state construction contract requirements, if such projects are entirely funded with gifts and grants.

State Fair Park Projects. Specify that the State Fair Park Board would not be allowed to enter into contracts for the construction of any building, structure, or facility for the Board involving a cost of not more than \$760,000. Under current law, the Board can enter into contracts for such projects involving a cost of not more than \$250,000 without completion of final plans and arrangement for supervision of construction and prior approval by the Building Commission. Increase from \$250,000 to \$760,000 the size of project at the State Fair Park that the Commission is required to report on, and identify project funding for, as part of its biennial, long-range state building program, but does not have to formally recommend for inclusion in the program.

Construction Contract Approvals. Increase from \$150,000 to \$500,000 the size of contracts, or change orders to contracts, for engineering services or architectural services and limited trades work on construction projects, for which the Governor could delegate approval authority to the DOA Secretary or the Secretary's designee. Under current law, any such contracts, or for any change order to such contracts, with a cost of less than \$60,000 may be endorsed and approved by the DOA Secretary or a designee, and the Governor can further delegate authority to the DOA Secretary, or a designee, to endorse and approve such contracts, or change orders to such contracts, that do not exceed \$150,000 in cost.

Initial Applicability. Specify that the provisions relating to the enumeration thresholds for the biennial building program would first apply to authorizations occurring on the effective date of the bill. The modifications to the contracting requirements for projects up to \$760,000, and the Governor's authority to delegate contract approval to the DOA Secretary or a designee would first apply to contracts entered into, extended, modified, or renewed on the effective date of the bill.

Joint Finance/Legislature: Delete provision as a non-fiscal policy item.

6. TRANSFER AUTHORITY TO CONTRACT FOR OPERATING NOTES TO DOA

Governor: Transfer the Building Commission's authority to contract for operating notes to the Department of Administration (DOA) by repealing the Commission's authority to carry out such transactions and recreating that authority under DOA. Specify that no financial obligations could be incurred nor could any evidence of operating notes be issued by the state except pursuant to a written authorizing certification that:

- a. sets forth the aggregate principal amount of operating notes authorized;
- b. sets forth the purpose of the operating notes, which need not be more specific but could not be more general than those purposes provided in or pursuant to law;
- c. the manner of sale of the notes, and the form and terms of the notes; and
- d. is signed by the DOA Secretary, or the Secretary's designee, and transmitted to the Governor.

These provisions would replace the current law requirement that operating notes can only be contracted for pursuant to an authorizing resolution, which is repealed under the bill, with the authorizing certificate requirements described above. Modify the current law references to an authorizing resolution for operating notes to refer instead to an authorizing certificate. Specify that the authority provided to DOA to contract for operating notes would constitute full authority for accomplishment of all authorized acts and that no other law restricting the carrying out of such acts could be construed as applying to proceedings or acts done under these provisions.

Delete the requirement that the DOA Secretary submit a request, signed by the Governor, for the issuance of operating notes to the Building Commission. The DOA Secretary would continue to be required to notify the Joint Committee on Finance of any proposed authorizing certificate for issuance of operating notes and the proposed issuance of operating notes would be subject to Committee approval under the 14-day passive review process.

Authorize DOA to enter into a contract with any firm or individual engaged in financial services for the performance of any of the Department's duties relative to operating notes using selection and procurement procedures established by the Department. Provide that such a contract would not be subject to the state's general purchasing, procurement, and contracting laws and requirements.

Repeal the current law provisions requiring that in contracting for operating notes, by competitive or negotiated sale, the Building Commission, or any underwriters, must ensure that certain percentages of total moneys expended in such fiscal year for the services of financial advisers are expended for the services of minority or disabled veteran financial advisers. Under current law, these requirements would apply to the contracting of operating notes unless the DOA Secretary submits a report in writing to the Joint Committee on Finance specifying the Commission's reasons for not complying with the requirements. None of these minority and disabled veteran contracting requirements would apply to DOA's authority to contract for operating notes provided under the bill.

Specify by cross-reference that the following current law requirements relating to DOA's authority to contract for appropriation obligation bonds would apply to its newly-transferred authority to contract for operating notes, and that all references to appropriation obligations would be read to refer instead to operating notes: (a) the repayment terms and rates of interest; (b) the provisions for prepayments and premiums; (c) the requirement that the obligation be in United States currency; (d) the authority of DOA to enter into ancillary agreements and arrangements, such as interest rate agreements, related to the obligation; (e) the evidence of obligation requirements; (f) the requirement that the obligation be in the form of bonds, notes, or other evidences of obligation, and may be issued in book-entry form or in certificated form; (g) the requirements that the obligation be executed in the name of, and for the, state by the Governor and be sealed with the great seal of the state or a facsimile thereof; (h) the requirement that the obligation be in such form and contain such statements or terms as determined by DOA, and not conflict with law or with the appropriate authorizing certificate; (i) the fiscal regulations relating to the obligations; and (j) that these obligations would be legal investments.

To reflect that the Commission would no longer have authority to contract for operating notes, delete the Joint Committee on Legislative Organization's authority to contract for advisory services for the legislative members of the Building Commission on matters related to the issuance of state operating notes. The Committee could continue to contract for such services related to the issuance of long-term state debt and revenue obligations.

Make the following modifications resulting from the transfer of the authority to contract for operating notes from the Commission to DOA: (a) renumber portions of Chapter 18 of the statutes outlining the Building Commission's authority to refer instead to Chapter 16, which outlines DOA's statutory authority; (b) delete the applicable provisions, which delineate the references to types of debts, obligations, and evidences of obligations under the Building Commission authority, to reflect that Commission would no longer have authority to contract for operating notes; and (c) amend existing statutory cross references, including related miscellaneous appropriations, that refer to the Commission's authority (repealed under the bill) to refer instead to the authority provided DOA.

Joint Finance/Legislature: Delete provision as a non-fiscal policy item.

7. AUTHORITY TO CONTRACT FOR PUBLIC DEBT AND REVENUE OBLIGATIONS

Governor: Specify that at the first meeting of the Building Commission following the enactment of the biennial budget act, the Commission could take any of the following actions:

a. authorize DOA to contract public debt or revenue obligations in an amount not to exceed the amount that the Commission is authorized by the laws of this state to contract. If this authorization would be granted by the Commission, DOA would be required to provide periodic reports regarding the contracting of debt or obligations to the Commission.

b. release an amount not to exceed the amount of state building trust fund moneys to DOA for planning for enumerated projects.

- c. authorize DOA to issue revenue obligation refunding obligations.

Extend from one to two years the maximum period that an authorizing resolution approved by the Commission for the contracting of public debt or revenue obligation debt could remain in effect before it expires.

Joint Finance/Legislature: Delete provision as a non-fiscal policy item.

8. TRANSFER TO BUILDING TRUST FUND

Governor/Legislature: Authorize the DOA Secretary, before July 1 2016, to transfer an amount not exceeding \$3,000,000 from the unencumbered balance of DOA's capital planning and building construction services program revenue appropriation to the building trust fund. The DOA program revenue appropriation receives moneys for the provision of building construction and capital planning services provided on behalf of state agencies. These amounts include amounts assessed to building program projects by the DOA Division of Facilities Development for their management of those projects and for assistance to the Building Commission in the performance of their duties.

[Act 55 Section: 9201(2)]

9. GENERAL OBLIGATION BONDING REFUNDING AUTHORITY

Governor/Legislature: Increase the bonding authorization for refunding of any outstanding tax-supported or self-amortizing state general obligation debt by \$1,500,000,000, from its current level of \$3,785,000,000 to \$5,285,000,000. These bonds could only be issued if the debt refinancing meets the current law requirement that the true interest costs to the state must be reduced.

These economic refunding bonds would be used to refinance the state's outstanding debt in order to take advantage of lower financing rates. These bonds could not be used to carry out a structural refunding similar to those carried out in recent years. Under those debt restructuring actions, the state issued refunding bonds and used the proceeds on those bonds to make payments on current year principal due on its general obligation debt. This action increased the average life of the debt refunded, and because the debt was outstanding longer, the state incurred higher interest costs.

[Act 55 Section: 880]

10. SHORT-TERM DEBT RESTRUCTURING [LFB Paper 176]

Joint Finance/Legislature: Require that DOA establish a planned amortization schedule for the repayment of principal repayment on the state's short-term, general obligation commercial paper programs, so that a uniform portion of the principal amount of such obligations is planned to be retired annually. Define short-term commercial paper program as a short-term debt

obligation issued in lieu of long-term state general obligation debt.

Veto by Governor [D-71]: Delete provision.

[Act 55 Vetoed Section: 239r]

11. CONTRACTING REQUIREMENTS

Joint Finance/Legislature: Clarify the authority of the Building Commission by statutorily separating the two existing types of alternatives to state construction. Delete a reference to authorizing lease or lease purchase from current law governing the waiver of state contracting requirements, if approved by the Commission. Modify current law governing single prime contracts so that it would not apply to the use of leases or lease purchases in lieu of state construction, but would continue to apply to other alternatives to state construction approved by the Commission. Specify that these changes would first apply to a waiver or an authorization occurring on the effective date of the bill.

Veto by Governor [C-37]: Delete the provision, except the current law reference to "existing" facilities and various statutory cross-references would still be eliminated. As a result, the remaining provision would specify that the Commission may authorize the lease, lease purchase, or acquisition of state facilities in lieu of state construction, rather than the lease, lease purchase, or acquisition of existing facilities as under current law.

[Act 55 Sections: 47b and 9304(1n)]

[Act 55 Vetoed Sections: 47b (as it relates to the acquisition of facilities), 370, 373b, and 374b]